

# **HENRY COUNTY, IOWA**

Independent Auditors' Reports  
Basic Financial Statements  
and Supplementary Information  
Schedule of Findings

June 30, 2007

# HENRY COUNTY, IOWA

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# HENRY COUNTY, IOWA

## Officials

(Before January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Young	Board of Supervisors	January 2009
Gary See	Board of Supervisors	January 2009
Marc Lindeen	Board of Supervisors	January 2007
Hettie Maschmann	County Auditor	January 2009
Ana Lorber	County Treasurer	January 2007
Bernice Wallace	County Recorder	January 2007
Allen Wittmer	County Sheriff	January 2009
Michael Riepe	County Attorney	January 2007
Gary Dustman	County Assessor	January 2009

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Young	Board of Supervisors	January 2009
Gary See	Board of Supervisors	January 2009
Marc Lindeen	Board of Supervisors	January 2011
Hettie Maschmann	County Auditor	January 2009
Ana Lorber	County Treasurer	January 2011
Shirley Wandling	County Recorder	January 2011
Allen Wittmer	County Sheriff	January 2009
Darin Stater	County Attorney	January 2011
Gary Dustman	County Assessor	January 2009



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## TD&T Financial Group, P.C.

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Centerville  
Fairfield  
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Ottumwa  
Pella  
Sigourney

### Independent Auditors' Report

To the Officials of Henry County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Henry County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Henry County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Henry County at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2008 on our consideration of Henry County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henry County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

*TD&T Financial Group, P.C.*

Mt. Pleasant, Iowa  
January 11, 2008

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Henry County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## **2007 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 27.8%, or approximately \$3,149,000, from fiscal 2006 to fiscal 2007. Property tax increased approximately \$304,000, operating grants and contributions increased approximately \$170,000, and capital grants and contributions increased approximately \$2,651,000.
- Program expenses were 8.9%, or approximately \$964,000, more in fiscal 2007 than in fiscal 2006. Physical health and social services expense increased approximately \$33,000, county environment and education expense decreased approximately \$44,000, roads and transportation expense increased approximately \$1,098,000, government services to residents expense decreased approximately \$275,000, and administration expense decreased approximately \$5,000.
- The County's net assets increased 9.6%, or approximately \$2,697,000, from June 30, 2006 to June 30, 2007.

## **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Henry County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Henry County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Henry County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 surcharge, emergency management services, and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities. Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Henry County's combined net assets increased from \$28.1 million to \$30.8 million, mainly due to additions to capital assets. The analysis that follows focuses on the changes in the net assets for governmental activities.

### **Net Assets of Governmental Activities (Expressed in Thousands)**

	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 12,240	11,129
Capital assets	<u>25,119</u>	<u>23,137</u>
Total assets	<u>37,359</u>	<u>34,266</u>
Long-term liabilities	699	503
Other liabilities	<u>5,863</u>	<u>5,663</u>
Total liabilities	<u>6,562</u>	<u>6,166</u>
Net assets:		
Invested in capital assets, net of related debt	25,119	23,137
Restricted	5,005	4,576
Unrestricted	<u>673</u>	<u>387</u>
Total net assets	<u>\$ 30,797</u>	<u>28,100</u>

Net assets of the County's governmental activities increased by 9.6 % (\$30.8 million compared to \$28.1 million). The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—increased by \$286,000 to approximately \$673,000 at the end of this year, an increase of 73.9%.



**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year Ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 1,120	1,069
Operating grants and contributions	3,797	3,627
Capital grants and contributions	2,651	-
General revenues:		
Property tax	5,256	4,952
Penalty and interest on property tax	52	64
State tax credits	324	312
Local option sales tax	742	761
Grants and contributions not restricted to specific purposes	88	207
Unrestricted investment earnings	377	282
Other general revenues	71	55
Total revenues	14,478	11,329
Program expenses:		
Public safety and legal services	2,338	2,297
Physical health and social services	496	463
Mental health	2,175	2,185
County environment and education	712	756
Roads and transportation	4,153	3,055
Government services to residents	629	904
Administration	969	974
Non-program	295	183
Interest on long-term debt	14	-
Total expenses	11,781	10,817
Increase (decrease) in net assets	2,697	512
Net assets beginning of year	28,100	27,688
Prior period adjustment	-	(100)
Net assets end of year	\$ 30,797	28,100

Henry County's revenues for governmental activities increased by approximately \$3,149,000 from the prior year, with property tax revenue up from the prior year by approximately \$304,000, or 6.1%.

The cost of all governmental activities this year was \$11.8 million compared to \$10.8 million last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities was only \$4.2 million because some of the cost was paid by those who directly benefited from the programs (\$1,120,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,448,000).

## **THE COUNTY'S INDIVIDUAL MAJOR FUNDS**

As Henry County completed the year, its governmental funds reported a combined fund balance of \$6.3 million, which is an increase from last year of approximately \$910,000. The following are the major reasons for the changes in fund balances from the prior year:

- General Fund revenues increased by approximately \$46,000. The largest revenue increase was approximately \$172,000 in property taxes. General Fund expenditures decreased by approximately \$62,000. The largest changes in expenditures were an increase of approximately \$33,000 in the physical health and social service area and a decrease of \$86,000 in governmental services to residents. The ending fund balance increased from approximately \$1,255,000 from the prior year to approximately \$1,847,000.
- Mental Health revenues totaled approximately \$2,177,000, a decrease of 1.3% from the prior year. The Mental Health Fund balance at year end showed an increase of approximately \$2,000 from the prior year to approximately \$829,000.
- Secondary Roads Fund receipts increased by approximately \$350,000. Expenditures increased by approximately \$100,000 over the prior year. These changes along with the transfer from the rural services fund of approximately \$864,000 resulted in an increase in the Secondary Roads Fund ending balance of approximately \$172,000 or 7%.
- Debt Service Fund receipts increased by approximately \$151,000 and expenditures increased by approximately \$144,000 resulting in an increase in the Debt Service Fund ending balance of approximately \$7,000.
- Capital Project Fund receipts increased by approximately \$10,000 and expenditures increased by approximately \$87,000. These changes along with the general obligation notes issued of approximately \$402,000 resulted in an increase in the Capital Project Fund ending balance of approximately \$220,000.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget one time. The amendment was made on May 29, 2007. The amendment was made to provide for additional expenditures in certain County departments. No increase in taxes was required.

The County's receipts were \$14,114 less than budgeted, a variance of less than 1%. The most significant variance resulted from the County receiving less intergovernmental receipts than anticipated.

Total disbursements were \$1,858,526 less than the amended budget. Actual disbursements for the public safety and legal services, physical health and social services, mental health, and administration functions were \$213,728, \$374,816, \$317,392, and \$49,575, respectively, less than budgeted.

Expenditures did not exceed the budgeted amount for the year ended June 30, 2007.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, Henry County had approximately \$25.1 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,982,000, or 8.6% over last year.

#### Capital Assets of Governmental Activities at Year End (Expressed in Thousands)

	June 30,	
	2007	2006
Land	\$ 3,797	3,843
Buildings, machinery and equipment	2,959	3,035
Work in progress	-	108
Infrastructure	18,363	16,150
Total	\$ 25,119	23,136
This year's major additions included (in thousands):		
Vehicles and equipment		\$ 364
Infrastructure		3,213
Total		\$ 3,577

The County had depreciation expense of \$1,424,490 in FY07 and total accumulated depreciation of \$14,880,581 at June 30, 2007.

The County's fiscal year 2007 capital budget included \$1,415,572 for capital projects, principally for continued upgrading of secondary roads and bridges. The County has no plans to issue additional debt to finance these projects. Rather, the County will use resources on hand in the County's fund balance. More detailed information about the County's capital assets is presented in Note 7 to the financial statements.

### **Long-Term Debt**

At June 30, 2007, the County had \$699,145 in notes payable and other debt compared to \$504,306 last year, as shown below.

#### Outstanding Debt of Governmental Activities at Year-End

	June 30,	
	2007	2006
Notes payable	\$ -	41,307
Notes payable	-	61,184
General obligation capital loan	280,000	-
Landfill closure and post closure costs	174,000	174,000
Compensated absences	245,145	227,815
Totals	\$ 699,145	504,306

Debt increased as a result of issuing general obligation capital loans to pay the costs of equipment and reconstruction costs of public buildings.

The County issued general obligation capital loan notes during the year ended June 30, 2007 in the amount of \$410,000. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Henry County's outstanding general obligation debt is significantly below this \$29 million limit. Other obligations include accrued vacation pay. Additional information about the County's long-term debt is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Henry County's elected officials, appointed officials, and citizens considered many factors when arriving at and setting the fiscal year 2008 budget, tax rates, and the fees that will be charged for various county activities. One of those factors is the economy. The County's population has grown 5.8% from 1990 to 2000, compared to the State of Iowa at 5.4% for the same time period. The persons under 18 and the persons over 65 are very close to the State figures. The median household money income (based on 1997 data) is slightly above the State figure of \$35,427 with a County figure of \$37,047. Other factors considered were county to county valuation comparisons, State cutbacks in revenue to counties, and the overall economy that is growing much more slowly than anticipated.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Henry County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Henry County, Mt. Pleasant, Iowa 52641.

# HENRY COUNTY, IOWA

## Statement of Net Assets

### June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,978,615
Receivables:	
Property tax:	
Delinquent	13,839
Succeeding year	5,498,342
Interest and penalty on property tax	17,780
Accounts	32,589
Accrued interest	48,815
Due from other governments	314,671
Inventories	199,822
Prepaid expenses	135,174
Capital assets (net of accumulated depreciation)	25,118,865
Total assets	<u>37,358,512</u>
<b>Liabilities</b>	
Accounts payable	186,761
Due to other governments	177,946
Deferred revenue:	
Succeeding year property tax	5,498,342
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	135,000
Compensated absences	245,145
Portion due or payable after one year:	
Notes payable	145,000
Landfill closure and post closure costs	174,000
Total liabilities	<u>6,562,194</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	25,118,865
Restricted for:	
Supplemental levy purposes	526,282
Mental Health	829,283
Secondary roads	2,627,818
Capital projects	218,968
Debt Service	6,684
Rural Services	82,037
Other purposes	713,601
Unrestricted	<u>672,780</u>
Total net assets	<u>\$ 30,796,318</u>

See notes to financial statements.

# HENRY COUNTY, IOWA

## Statement of Activities

### Year Ended June 30, 2007

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Service	Grants and Contributions	Grants and Contributions
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 2,337,687	101,408	27,713	-
Physical health and social services	495,950	26,750	159,473	-
Mental health	2,174,567	455,469	872,018	-
County environment and education	712,222	31,909	18,984	-
Roads and transportation	4,153,289	188,089	2,655,418	2,650,837
Governmental services to residents	629,301	278,484	17,708	-
Administration	969,124	25,870	-	-
Non-program	295,180	11,702	46,021	-
Interest on long-term debt	13,927	-	-	-
Total	\$ 11,781,247	1,119,681	3,797,335	2,650,837

**General Revenues:**

Property and other county tax levied for:

- General purposes
- Penalty and interest on property tax
- State tax credits
- Local option sales tax
- Grants and contributions not restricted to specific purpose
- Licenses and permits
- Unrestricted investment earnings
- Gain on sale of property and equipment
- Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

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Net (Expense)  
Revenue and  
Changes in  
Net Assets

---

(2,208,566)  
(309,727)  
(847,080)  
(661,329)  
1,341,055  
(333,109)  
(943,254)  
(237,457)  
(13,927)

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(4,213,394)

5,255,957  
52,186  
323,622  
742,401

87,612  
968  
376,626  
12,968  
57,647

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6,909,987

2,696,593

28,099,725

\$ 30,796,318

HENRY COUNTY, IOWA  
Balance Sheet  
Governmental Funds  
June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<u>Assets</u>				
Cash and pooled investments	\$ 1,708,126	997,897	63,118	2,348,205
Receivables:				
Property tax:				
Delinquent	9,591	2,286	1,565	-
Succeeding year	3,487,747	831,156	1,032,077	-
Interest and penalty on property tax	17,780	-	-	-
Accounts	30,142	795	-	911
Accrued interest	48,669	-	-	-
Due from other funds	-	-	-	3,292
Due from other governments	15,405	36,692	-	186,814
Inventories	-	-	-	199,822
Prepaid expenditures	85,472	-	-	-
Total assets	\$ 5,402,932	1,868,826	1,096,760	2,739,044
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 21,167	47,813	-	94,404
Due to other funds	3,026	266	-	-
Due to other governments	17,650	158,063	-	2,233
Deferred revenue:				
Succeeding year property tax	3,487,747	831,156	1,032,077	-
Other	26,804	2,221	1,498	-
Total liabilities	3,556,394	1,039,519	1,033,575	96,637
Fund balances:				
Reserved for:				
Supplemental levy purposes	526,282	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,320,256	-	-	-
Special revenue funds	-	829,307	63,185	2,642,407
Capital projects fund	-	-	-	-
Total fund balances	1,846,538	829,307	63,185	2,642,407
Total liabilities and fund balances	\$ 5,402,932	1,868,826	1,096,760	2,739,044

See notes to financial statements.



Debt Service	Capital Projects	Nonmajor Special Revenue	Total
6,672	173,174	681,423	5,978,615
397	-	-	13,839
147,362	-	-	5,498,342
-	-	-	17,780
-	-	741	32,589
-	-	146	48,815
-	-	-	3,292
-	-	75,760	314,671
-	-	-	199,822
-	49,702	-	135,174
154,431	222,876	758,070	12,242,939

-	3,908	19,469	186,761
-	-	-	3,292
-	-	-	177,946
147,362	-	-	5,498,342
385	-	-	30,908
147,747	3,908	19,469	5,897,249

-	-	-	526,282
6,684	-	-	6,684
-	-	-	1,320,256
-	-	738,601	4,273,500
-	218,968	-	218,968
6,684	218,968	738,601	6,345,690
154,431	222,876	758,070	12,242,939

HENRY COUNTY, IOWA  
 Reconciliation of the Balance Sheet - Governmental Funds  
 to the Statement of Net Assets  
 June 30, 2007

<b>Total governmental fund balances (page 13)</b>	\$ 6,345,690
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*Amounts reported for governmental activities in the Statement of Net Assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$39,999,446 and the accumulated depreciation is \$14,880,581.	25,118,865
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	30,908
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Long-term liabilities, including compensated absences payable, notes payable, and landfill closure and post closure costs are not due and payable in the current period and, therefore, are not reported in the funds.	<div style="border-top: 1px solid black; display: inline-block;">(699,145)</div>
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<b>Net assets of governmental activities (page 11)</b>	<div style="border-top: 3px double black; display: inline-block;">\$ 30,796,318</div>
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HENRY COUNTY, IOWA  
Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 3,349,740	805,146	992,833	-
Interest and penalty on property tax	51,707	-	-	-
Intergovernmental	449,776	912,943	102,083	2,649,233
Licenses and permits	968	-	-	2,440
Charges for service	399,272	455,469	740	185,646
Use of money and property	353,838	1,528	-	-
Miscellaneous	31,560	1,421	-	35,355
Total revenues	4,636,861	2,176,507	1,095,656	2,872,674
Expenditures:				
Operating:				
Public safety and legal services	1,779,647	-	208,259	-
Physical health and social services	489,912	-	-	-
Mental health	-	2,174,543	-	-
County environment and education	318,592	-	-	-
Roads and transportation	-	-	-	3,003,006
Governmental services to residents	469,313	-	1,657	-
Administration	954,234	-	-	-
Non-program	20,317	-	-	-
Debt service	-	-	-	-
Capital projects	14,108	-	42,547	562,140
Total expenditures	4,046,123	2,174,543	252,463	3,565,146
Excess (deficiency) of revenues over (under) expenditures	590,738	1,964	843,193	(692,472)
Other financing sources (uses):				
Sale of capital assets	505	-	-	-
Operating transfers in	-	-	-	863,964
Operating transfers out	-	-	(863,964)	-
General obligation notes issued	-	-	-	-
Total other financing sources (uses)	505	-	(863,964)	863,964
Net change in fund balances	591,243	1,964	(20,771)	171,492
Fund balances beginning of year	1,255,295	827,343	83,956	2,470,915
Fund balances end of year	\$ 1,846,538	829,307	63,185	2,642,407

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
140,222	-	742,401	6,030,342
-	-	-	51,707
7,549	-	44,990	4,166,574
-	-	22,878	26,286
-	-	44,860	1,085,987
2,840	13,207	5,244	376,657
-	-	22,125	90,461
150,611	13,207	882,498	11,828,014

-	-	402,599	2,390,505
-	-	85,588	575,500
-	-	-	2,174,543
-	-	404,412	723,004
-	-	75,268	3,078,274
-	-	240	471,210
-	-	4,514	958,748
-	-	-	20,317
143,927	-	-	143,927
-	195,115	31,683	845,593
143,927	195,115	1,004,304	11,381,621

6,684	(181,908)	(121,806)	446,393
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-	-	60,984	61,489
-	-	-	863,964
-	-	-	(863,964)
-	401,735	-	401,735
-	401,735	60,984	463,224
6,684	219,827	(60,822)	909,617
-	(859)	799,423	5,436,073
6,684	218,968	738,601	6,345,690

HENRY COUNTY, IOWA  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities  
 Year Ended June 30, 2007

**Net change in fund balances - Total governmental funds (page 15)** \$ 909,617

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate expenditures over the estimated useful lives of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 755,919		
Capital assets contributed by the Iowa Department of Transportation	2,650,837		
Depreciation expense	<u>(1,424,490)</u>		1,982,266

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(1,587)
--------------	---------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(410,000)		
Repaid	<u>232,491</u>		(177,509)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(17,330)		
Interest on long-term debt	<u>1,136</u>		<u>(16,194)</u>

**Change in net assets of governmental activities (page 12)** \$ 2,696,593

HENRY COUNTY, IOWA  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2007

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,005,738
Other County officials	71,681
Receivables:	
Property tax:	
Delinquent	42,380
Succeeding year	13,918,937
Accounts	3,797
Accrued interest	442
Due from other governments	3,617
Total assets	<u>15,046,592</u>

**Liabilities**

Accounts payable	2,795
Salaries and benefits payable	1,802
Due to other governments	14,969,875
Trusts payable	58,671
Compensated absences	13,449
Total liabilities	<u>15,046,592</u>
Net assets	\$ <u><u>-</u></u>

# HENRY COUNTY, IOWA

## Notes to Financial Statements June 30, 2007

### Note 1 – Summary of Significant Accounting Policies

Henry County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Henry County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. The County has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission, County Public Safety Commission and Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

(continued)

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued)

June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, inter-governmental revenues, and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

(continued)



# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued) June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (Continued)

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

#### Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

(continued)

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued) June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting

The government-wide, propriety fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

(continued)

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued) June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For the purpose of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, may have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2006.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

(continued)

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued) June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, and Fund Equity (Continued)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$65,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings, machinery and equipment	3 – 50
Infrastructure	10 – 65

(continued)

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued)

June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, and Fund Equity (Continued)

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(continued)

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued) June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities, and Fund Equity (Continued)

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated before being amended.

### Note 2 – Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007 the County had \$3,155,000 invested in certificates of deposit.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,869,314 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in Iowa Public Agency Investment Trust is unrated.

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued) June 30, 2007

### Note 3 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 863,964</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### Note 4 – Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Capital Loan	Notes Payable	Notes Payable	Landfill Closure and Post Closure Costs	Compensated Absences	Total
Balance beginning of year	\$ -	41,307	61,184	174,000	227,815	504,306
Increase	410,000	-	-	-	258,255	668,255
Decrease	130,000	41,307	61,184	-	240,925	473,416
Balance end of year	<u>\$ 280,000</u>	<u>-</u>	<u>-</u>	<u>174,000</u>	<u>245,145</u>	<u>699,145</u>
Due within one year	<u>\$ 135,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,145</u>	<u>380,145</u>

### Note 5 – Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Mental Health General	\$ 266
		<u>3,026</u>
Total		<u>\$ 3,292</u>

(continued)

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued) June 30, 2007

### Note 5 – Due From and Due to Other Funds (Continued)

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

### Note 6 – Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ <u>17,650</u>
Special Revenue:		
Mental Health	Services	158,063
Secondary Roads	Services	<u>2,233</u>
		<u>160,296</u>
Total for governmental funds		\$ <u>177,946</u>
Agency:		
County Assessor	Collections	\$ 480,307
Schools		8,919,064
Community Colleges		573,725
Corporations		3,490,610
E911 Surcharge		95,169
Auto License and Use Tax		322,709
County Hospital		466,909
Agricultural Extension		174,191
All Other		<u>447,191</u>
Total for agency funds		\$ <u>14,969,875</u>



# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued) June 30, 2007

### Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,843,210	-	46,648	3,796,562
Work in Progress	107,965	-	107,965	-
Total capital assets not being depreciated	<u>3,951,175</u>	-	154,613	<u>3,796,562</u>
Capital assets being depreciated:				
Buildings, machinery and equipment	6,730,134	364,393	156,234	6,938,293
Infrastructure	26,051,615	3,212,976	-	29,264,591
Total capital assets being depreciated	<u>32,781,749</u>	3,577,369	156,234	<u>36,202,884</u>
Less accumulated depreciation for:				
Buildings, machinery and equipment	3,695,190	424,034	140,234	3,978,990
Infrastructure, road network	9,901,135	1,000,456	-	10,901,591
Total accumulated depreciation	<u>13,596,325</u>	1,424,490	140,234	<u>14,880,581</u>
Total capital assets being depreciated, net	<u>19,185,424</u>	2,152,879	16,000	<u>21,322,303</u>
Governmental activities capital assets, net	<u>\$23,136,599</u>	2,152,879	170,613	<u>25,118,865</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 51,221
Physical health and social services	6,038
County environment and education	22,241
Roads and transportation	1,299,549
Governmental services to residents	2,314
Administration	10,029
Non-program	23,081
Capital Projects	<u>10,017</u>
Total depreciation expense – governmental activities	<u>\$ 1,424,490</u>

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued) June 30, 2007

### Note 8 – Operating Leases

Henry County, Iowa leases facilities for its operations. The terms and payments are as follows:

<u>Lessor</u>	<u>Lease Terms</u>	<u>Monthly Leases</u>
Mertens Rental Properties	6/1/07 to 5/31/08	\$600

The County entered into a cash lease for the Care Facility crop land on March 23, 2006 and it ends on March 1, 2009. Total annual cash rent is \$6,360. Payments include \$2,120 on or before June 1<sup>st</sup> and \$4,240 on or before December 1<sup>st</sup> of each year.

### Note 9 – Risk Management

Henry County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2007 were \$166,486.

(continued)

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued) June 30, 2007

### Note 9 – Risk Management (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution that the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued)

June 30, 2007

### Note 10 – Closure and Post-Closure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure care costs have been estimated at \$435,000. Henry County's portion of the estimated liability is \$174,000 which represents 40% of the total estimated cost. A liability has been reported on these costs in the statement of net assets. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County budgets annually for the costs of testing at the landfill.

### Note 11 – Garbage and Recycling Service Agreement

The County entered into a garbage and recycling services agreement with Whaley Waste System during the year ended May 14, 2002. The agreement is a five-year contract effective July 1, 2002. The County will pay \$6,850 per month plus disposal charges. The agreement allows for a 3% increase per year. On January 25, 2005, the County entered into an amendment to the agreement that increases the monthly cost to \$7,325 per month plus disposal charges. The amendment did not change the duration of the contract. However, on February 6, 2007, the County signed a three year extension ending July 1, 2010 with past and present amendments remaining in place.

### Note 12 – Professional Consulting Service Agreement

The County entered into a professional consulting service agreement with Maximus, Inc. on June 14, 2005. The agreement is a three-year contract for the annual development of a central services cost allocation plan for fiscal years 2005, 2006, and 2007. The County will pay one-half of recovered funds, not to exceed \$3,773 for each year.

### Note 13 – Roadway Easement

As of June 27, 2006, Henry County entered into a road easement with Robert E. and Sandra C. Breazele for a period of fifteen years to provide access to Oakland Mills Park and recreational cabins within the park. The easement allows the use of a private gravel road owned by Robert and Sandra Breazele. During this easement, Henry County will be responsible for the maintenance of the area and also for extending the existing fence.

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued)

June 30, 2007

### Note 14 – Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$242,884, \$231,044, and \$219,111 respectively, equal to the required contributions for each year.

### Note 15 – Disposal Capacity Assurance Agreement

The County entered into a contract on June 28, 1995 with the Great River Regional Waste Authority for the assurance of landfill capacity. The County will pay an annual sum of \$15,063.91 for fifteen years. The annual payments will be due July 1st of each year, with the first payment due July 1, 1995, and the final payment due July 1, 2009. In return, the Authority will reserve 1,250 tons of rural residential waste disposal capacity per year from July 1, 1995, to June 30, 2010.

### Note 16 – Commitments

The County has the following commitments at June 30, 2007:

<u>Project</u>	<u>Vendor</u>	<u>Amount</u>
Concrete	Bill Young	\$ 4,704

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued)

June 30, 2007

### Note 17 – Economic Development Revolving Loan

Henry County created an Economic Development Revolving Loan Fund on March 30, 2004. Pursuant to the Development Plan entered into by Henry County Industrial Development Corporation and the City of Mt. Pleasant, Iowa, pursuant to the Urban Renewal Plan of the City of Mt. Pleasant, and all applicable State and Federal Laws including Iowa Code Chapters 368 and 403, Henry County Industrial Development Corporation has acquired and developed Crossroads Industrial Park to provide sites for industrial development. The amount of \$300,000 from the County's receipt of local sales and service tax receipts was provided for purposes of economic development through issuance of a loan to the Henry County Industrial Development Corporation to pay for the construction of a building at Crossroads Industrial Park and for no other purpose. After the sale of the building, the Henry County Board of Supervisors may direct that the loan be repaid. If repayment of the loan is not requested by the Supervisors, proceeds of the loan shall be retained by the Henry County Industrial Development Corporation for purposes of financing other economic development projects which will generate significant new jobs which are consistent with the factors set forth in Iowa Code section 15A.1(2) and for the purpose of economic development and public betterment.

Also, the amount of \$100,000 was transferred to the Southeast Iowa Regional Planning Commission to establish an Economic Development Revolving Loan Fund. Southeast Iowa Regional Planning Commission has agreed to manage the funds provided by the County for the operation and administration in complete compliance with all regulations as outlined in the County's Administrative Plan adopted by the County.

These notes receivable have not been recorded on the County's financial statements since the amount of the repayment cannot be determined.

### Note 18 – Capital Loan Notes Payable

A summary of the County's June 30, 2007 general obligation capital loan notes indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	4.00%	\$ 135,000	11,273	146,273
2009	4.05	<u>145,000</u>	<u>5,873</u>	<u>150,873</u>
Total		<u>\$ 280,000</u>	<u>17,146</u>	<u>297,146</u>

During the year ended June 30, 2007, the County issued \$410,000 in general obligation capital loan notes and retired \$130,000 of capital loan notes.

# HENRY COUNTY, IOWA

## Notes to Financial Statements (Continued) June 30, 2007

### Note 19 – Consulting and Services Agreement

The County entered into a contract on June 7, 2007 with Solutions, Inc. for computer consulting and services. The County prepaid \$49,702 in June of 2007 for the year ended June 30, 2008.

### Note 20 – Iowa Governmental Health Care Plan

The County, in conjunction with the City of Fairfield, Iowa, the City of Council Bluffs, Iowa, and other organizations entered into an agreement as authorized in Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The Counties, Cities, and the other participating organizations are contingently liable with respect to medical claims made by the participants in the plan. Employee Benefit Systems/Cobra Administrator (EBS) provides a service designed to administer compliance requirements. All claims handling procedures are performed by an independent claims administrator. Settled claims have not exceeded the plan coverage during any of the past three years.

The unaudited cash balance of the Henry County Health Care Plan was \$233,358 at June 30, 2007.

HENRY COUNTY, IOWA  
 Budgetary Comparison Schedule of  
 Receipts, Disbursements and Changes in Fund Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds  
 Required Supplementary Information  
 Year Ended June 30, 2007

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other county tax	\$ 6,025,523	-
Interest and penalty on property tax	52,764	-
Intergovernmental	4,180,464	-
Licenses and permits	26,561	-
Charges for services	1,103,566	-
Use of money and property	328,690	-
Miscellaneous	88,695	-
Total receipts	<u>11,806,263</u>	<u>-</u>
Disbursements:		
Public safety and legal services	2,386,496	-
Physical health and social services	577,636	-
Mental health	2,203,177	-
County environment and education	734,436	-
Roads and transportation	3,041,011	-
Governmental services to residents	470,784	-
Administration	969,378	-
Non-program	20,317	-
Debt service	143,927	-
Capital projects	881,684	-
Total disbursements	<u>11,428,846</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	377,417	-
Other financing sources net	<u>463,270</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	840,687	-
Balance beginning of year	<u>5,137,928</u>	<u>-</u>
Balance end of year	<u><u>\$ 5,978,615</u></u>	<u><u>-</u></u>

See accompanying independent auditors' report



Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
6,025,523	6,019,386	6,019,386	6,137
52,764	54,000	54,000	(1,236)
4,180,464	4,141,304	4,348,604	(168,140)
26,561	28,375	28,375	(1,814)
1,103,566	1,112,774	1,112,774	(9,208)
328,690	134,688	217,688	111,002
88,695	25,850	39,550	49,145
11,806,263	11,516,377	11,820,377	(14,114)

2,386,496	2,510,150	2,600,224	213,728
577,636	775,152	952,452	374,816
2,203,177	2,521,593	2,521,593	318,416
734,436	756,078	828,078	93,642
3,041,011	3,250,000	3,250,000	208,989
470,784	491,451	521,451	50,667
969,378	1,018,953	1,018,953	49,575
20,317	32,600	32,600	12,283
143,927	147,473	147,473	3,546
881,684	1,415,572	1,415,572	533,888
11,428,846	12,919,022	13,288,396	1,859,550

377,417	(1,402,645)	(1,468,019)	1,845,436
463,270	410,000	470,984	(7,714)

840,687	(992,645)	(997,035)	1,837,722
5,137,928	3,049,659	3,049,659	2,088,269
5,978,615	2,057,014	2,052,624	3,925,991

HENRY COUNTY, IOWA  
 Budgetary Comparison Schedule -  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2007

		Governmental Funds		
		Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$	11,806,263	21,751	11,828,014
Expenditures		11,428,846	(47,225)	11,381,621
Net		377,417	68,976	446,393
Other financing sources, net		463,270	(46)	463,224
Beginning fund balances		5,137,928	298,145	5,436,073
Ending fund balances	\$	5,978,615	367,075	6,345,690

See accompanying independent auditors' report

# HENRY COUNTY, IOWA

## Notes to Required Supplementary Information- Budgetary Reporting

June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$369,374. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted. However, disbursements in certain departments exceeded the amounts appropriated before being amended.

HENRY COUNTY, IOWA  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2007

	Resource Enhancement and Protection	Community Betterment	Sheriff's Forfeiture Fund	County Recorder's Records Management
<u>Assets</u>				
Cash and pooled investments	\$ 80,472	236,788	1,602	15,452
Receivables:				
Accounts	-	400	-	341
Accrued interest	127	-	-	19
Due from other governments	3,349	72,411	-	-
Total assets	\$ 83,948	309,599	1,602	15,812
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	18,092	-	-
Total liabilities	-	18,092	-	-
Fund balances:				
Unreserved	83,948	291,507	1,602	15,812
Total liabilities and fund balances	\$ 83,948	309,599	1,602	15,812

Economic Development	Conservation Land Acquisition Trust	County Recorder's Electronic Transaction Fee	Conservation Nature Center Fund	Attorney's Case Management Project Fund	Attorney's Forfeiture Fund	Total
243,886	94,522	502	7,852	-	347	681,423
-	-	-	-	-	-	741
-	-	-	-	-	-	146
-	-	-	-	-	-	75,760
243,886	94,522	502	7,852	-	347	758,070
-	755	-	622	-	-	19,469
-	755	-	622	-	-	19,469
243,886	93,767	502	7,230	-	347	738,601
243,886	94,522	502	7,852	-	347	758,070

HENRY COUNTY, IOWA  
Combining Schedule of Revenues, Expenditures, and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year Ended June 30, 2007

	Resource Enhancement and Protection	Community Betterment	Sheriff's Forfeiture Fund	County Recorder's Records Management
Revenues:				
Property and other county tax	\$ -	742,401	-	-
Intergovernmental	11,727	33,263	-	-
Licenses and permits	-	22,878	-	-
Charges for service	-	3,872	-	3,748
Use of money and property	1,483	-	32	210
Miscellaneous	-	5,400	1,225	-
Total revenues	13,210	807,814	1,257	3,958
Expenditures:				
Operating:				
Public safety and legal services	-	312,853	-	-
Physical health and social services	-	85,588	-	-
County environment and education	-	341,676	-	-
Roads and transportation	-	75,268	-	-
Governmental services to residents	-	-	-	240
Administration	-	4,514	-	-
Capital projects	-	20,000	-	-
Total expenditures	-	839,899	-	240
Excess (deficiency) of revenues over (under) expenditures	13,210	(32,085)	1,257	3,718
Other financing sources:				
Sale of capital assets	-	-	-	-
Excess of revenues and other financing sources over (under) expenditures	13,210	(32,085)	1,257	3,718
Fund balances beginning of year	70,738	323,592	345	12,094
Fund balances end of year	\$ 83,948	291,507	1,602	15,812

See accompanying independent auditors' report.

Economic Development	Conservation Land Acquisition Trust	County Recorder's Electronic Transaction Fee	Conservation Nature Center Fund	Attorney's Case Management Project Fund	Attorney's Forfeiture Fund	Total
-	-	-	-	-	-	742,401
-	-	-	-	-	-	44,990
-	-	-	-	-	-	22,878
-	37,240	-	-	-	-	44,860
-	-	24	-	3,495	-	5,244
-	11,597	-	3,556	-	347	22,125
-	48,837	24	3,556	3,495	347	882,498
-	-	-	-	89,746	-	402,599
-	-	-	-	-	-	85,588
61,359	755	-	622	-	-	404,412
-	-	-	-	-	-	75,268
-	-	-	-	-	-	240
-	-	-	-	-	-	4,514
-	11,683	-	-	-	-	31,683
61,359	12,438	-	622	89,746	-	1,004,304
(61,359)	36,399	24	2,934	(86,251)	347	(121,806)
60,984	-	-	-	-	-	60,984
(375)	36,399	24	2,934	(86,251)	347	(60,822)
244,261	57,368	478	4,296	86,251	-	799,423
243,886	93,767	502	7,230	-	347	738,601

HENRY COUNTY, IOWA  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2007

	<u>County Offices</u>			County	Agricultural	
	County	County	County	Care	Extension	County
	Auditor	Recorder	Sheriff	Facility	Education	Assessor
<u>Assets</u>						
Cash and pooled investments:						
County Treasurer	\$	-	-	-	2,852	130,567
Other County officials		-	23,837	42,047	5,797	-
Receivables:						
Property tax:						
Delinquent		-	-	-	471	1,002
Succeeding year		-	-	-	170,868	364,104
Accounts		-	18	-	-	-
Accrued interest		-	-	-	-	-
Due from other governments		-	-	-	-	-
Total assets	\$	-	23,855	42,047	5,797	174,191
						495,673
<u>Liabilities</u>						
Accounts payable	\$	-	-	-	-	115
Salaries and benefits payable		-	-	-	-	1,802
Due to other governments		-	23,855	-	174,191	480,307
Trusts payable		-	-	42,047	5,797	-
Compensated absences		-	-	-	-	13,449
Total liabilities	\$	-	23,855	42,047	5,797	174,191
						495,673

(continued)

See accompanying independent auditors' report.



Community			
Schools	Colleges	Corporations	Townships
144,999	9,468	59,005	2,039
-	-	-	-
24,513	1,545	13,345	172
8,749,552	562,712	3,418,260	117,061
-	-	-	-
-	-	-	-
-	-	-	-
8,919,064	573,725	3,490,610	119,272
-	-	-	-
-	-	-	-
8,919,064	573,725	3,490,610	119,272
-	-	-	-
-	-	-	-
8,919,064	573,725	3,490,610	119,272

HENRY COUNTY, IOWA  
Combining Schedule of Fiduciary Assets and Liabilities (Continued)  
Agency Funds  
June 30, 2007

		E911 Surcharge	Special Assessments	Fire Districts	Advance Tax	Auto License and Use Tax
<u>Assets</u>						
Cash and pooled investments:						
County Treasurer	\$	94,026	2,416	1,548	10,827	322,709
Other County officials		-	-	-	-	-
Receivables:						
Property tax:						
Delinquent		-	-	140	-	-
Succeeding year		-	-	104,881	-	-
Accounts		3,438	-	-	-	-
Accrued interest		130	-	-	-	-
Due from other governments		-	-	-	-	-
Total assets	\$	97,594	2,416	106,569	10,827	322,709
<u>Liabilities</u>						
Accounts payable	\$	2,425	-	-	-	-
Salaries and benefits payable		-	-	-	-	-
Due to other governments		95,169	2,416	106,569	-	322,709
Trusts payable		-	-	-	10,827	-
Compensated absences		-	-	-	-	-
Total liabilities	\$	97,594	2,416	106,569	10,827	322,709

(continued)

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	County Hospital	Civil Defense Emergency Management	Tax Sale Redemption Trust	Brucellosis and Tuberculosis Eradication	Empowerment Fund	Total
320	34,224	15,481	28,046	289	146,922	1,005,738
-	-	-	-	-	-	71,681
-	1,186	-	-	6	-	42,380
-	431,499	-	-	-	-	13,918,937
341	-	-	-	-	-	3,797
-	-	-	-	-	312	442
-	-	3,617	-	-	-	3,617
661	466,909	19,098	28,046	295	147,234	15,046,592
-	-	255	-	-	-	2,795
-	-	-	-	-	-	1,802
661	466,909	18,843	28,046	295	147,234	14,969,875
-	-	-	-	-	-	58,671
-	-	-	-	-	-	13,449
661	466,909	19,098	28,046	295	147,234	15,046,592

HENRY COUNTY, IOWA  
Combining Schedule of Changes in Fiduciary  
Assets and Liabilities  
Agency Funds  
Year Ended June 30, 2007

	County Offices			County Care Facility	Agricultural Extension Education
	County Auditor	County Recorder	County Sheriff		
Assets and Liabilities					
Balances beginning of year	\$ -	34,034	22,177	22,832	171,616
Additions:					
Property and other county tax	-	-	-	-	165,640
E911 surcharge	-	-	-	-	-
State tax credits	-	-	-	-	8,874
Office fees and collections	787	310,458	124,769	-	-
Electronic transaction fee	-	-	-	-	-
Interest on investments	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	317,805	120,464	-
Miscellaneous	-	-	-	-	-
Total additions	787	310,458	442,574	120,464	174,514
Deductions:					
Agency remittances:					
To other funds	787	140,751	124,365	-	-
To other governments	-	179,886	-	-	171,939
Trusts paid out	-	-	298,339	137,499	-
Total deductions	787	320,637	422,704	137,499	171,939
Balances end of year	\$ -	23,855	42,047	5,797	174,191

(continued)

See accompanying independent auditors' report

County Assessor	Schools	Community Colleges	Corporations	Townships	E911 Surcharge	Special Assessments
485,712	8,555,190	569,781	3,444,696	115,864	108,980	2,033
355,476	8,519,916	549,277	3,740,779	114,044	-	-
-	-	-	-	-	155,402	-
14,865	454,114	29,510	167,279	7,043	-	-
400	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,816	-
-	-	-	-	-	-	-
-	-	-	-	-	-	21,787
-	-	-	-	-	-	-
165	-	-	-	-	1,155	-
370,906	8,974,030	578,787	3,908,058	121,087	158,373	21,787
-	-	-	-	-	-	-
360,945	8,610,156	574,843	3,862,144	117,679	169,759	21,404
-	-	-	-	-	-	-
360,945	8,610,156	574,843	3,862,144	117,679	169,759	21,404
495,673	8,919,064	573,725	3,490,610	119,272	97,594	2,416

HENRY COUNTY, IOWA  
Combining Schedule of Changes in Fiduciary  
Assets and Liabilities (Continued)  
Agency Funds  
Year Ended June 30, 2007

Assets and Liabilities	Fire Districts	Advance Tax	Auto License and Use Tax	County Recorder's Electronic Transaction Fee
Balances beginning of year	\$ 106,420	32,557	343,465	785
Additions:				
Property and other county tax	93,053	-	-	-
E911 surcharge	-	-	-	-
State tax credits	4,981	-	-	-
Office fees and collections	-	-	-	-
Electronic transaction fee	-	-	-	3,750
Interest on investments	-	-	-	-
Auto licenses, use tax and postage	-	-	3,968,432	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	10,827	-	-
Total additions	98,034	10,827	3,968,432	3,750
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	97,885	-	3,989,188	3,874
Trusts paid out	-	32,557	-	-
Total deductions	97,885	32,557	3,989,188	3,874
Balances end of year	\$ 106,569	10,827	322,709	661

See accompanying independent auditors' report

County Hospital	Civil Defense Emergency Management	Tax Sale Redemption Trust	Brucellosis and Tuberculosis Eradication	Empowerment Fund	Total
464,331	18,384	24,219	251	104,560	14,627,887
418,170	-	-	4,408	-	13,960,763
-	-	-	-	-	155,402
22,603	-	-	121	-	709,390
-	-	-	-	-	436,414
-	-	-	-	-	3,750
-	-	-	-	3,130	4,946
-	-	-	-	-	3,968,432
-	-	-	-	-	21,787
-	-	-	-	-	438,269
-	137,099	484,616	-	343,814	977,676
440,773	137,099	484,616	4,529	346,944	20,676,829
-	-	-	-	-	265,903
438,195	136,385	480,789	4,485	304,270	19,523,826
-	-	-	-	-	468,395
438,195	136,385	480,789	4,485	304,270	20,258,124
466,909	19,098	28,046	295	147,234	15,046,592

HENRY COUNTY, IOWA  
Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Funds  
For the Last Four Years

		Modified Accrual Basis			
		2007	2006	2005	2004
Revenues:					
Property and other county tax	\$	6,030,342	5,744,075	4,379,581	4,764,947
Interest and penalty on property tax		51,707	63,175	65,711	186,253
Intergovernmental		4,166,574	4,112,669	4,536,342	3,582,143
Licenses and permits		26,286	21,983	425	5,605
Charges for service		1,085,987	1,036,887	787,498	682,749
Use of money and property		376,657	283,310	82,151	106,483
Miscellaneous		90,461	63,533	448,703	221,634
Total	\$	11,828,014	11,325,632	10,300,411	9,549,814
Expenditures:					
Operating:					
Public safety and legal services	\$	2,390,505	2,337,219	1,985,029	1,808,178
Physical health and social services		575,500	457,298	674,561	819,266
Mental health		2,174,543	2,176,930	1,938,760	2,115,734
County environment and education		723,004	812,685	630,331	627,944
Roads and transportation		3,078,274	3,124,499	2,640,111	2,648,650
Governmental services to residents		471,210	899,360	675,291	507,507
Administration		958,748	959,002	1,410,046	906,120
Non-program		20,317	22,692	85,211	86,691
Debt service		143,927	-	-	-
Capital projects		845,593	543,658	555,458	650,530
Total	\$	11,381,621	11,333,343	10,594,798	10,170,620

See accompanying independent auditors' report.





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Sigourney

Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of Henry County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Henry County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 11, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henry County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Henry County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Henry County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Henry County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Henry County's financial statements that is more than inconsequential will not be prevented or detected by Henry County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Henry County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Henry County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Henry County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Henry County and other parties to whom Henry County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and the assistance extended to us by personnel of Henry County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*TD&T Financial Group, P.C.*

Mt. Pleasant, Iowa  
January 11, 2008

# HENRY COUNTY, IOWA

## Schedule of Findings Year Ended June 30, 2007

### **Part I: Summary of the Independent Auditors' Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

(continued)

# HENRY COUNTY, IOWA

## Schedule of Findings (Continued) Year Ended June 30, 2007

### **Part II: Findings Related to the Financial Statements:**

#### **SIGNIFICANT DEFICIENCIES:**

- II-A-07 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances.

Response – With limited staff, we segregate responsibilities the best we can. With a small office it is sometimes hard to separate certain office functions.

Conclusion – Response accepted.

- II-B-07 County Policies – The County does not have a policy regarding personal use of County property.

Recommendation – The County should create a policy regarding the personal use of County property. This should include telephones, computers and County vehicles. Employees need to understand that these items are the property of the County and not to be used for personal reasons.

Response – We have a policy for the use of the Internet. We will work on preparing a policy for the use of the telephones. There is a verbal understanding that the phones are not to be used for long distance calls unless the employees have their own calling card. The Sheriff's Office has a policy regarding the use of their vehicles.

Conclusion – Response accepted.

- II-C-07 Clearing Account – The County maintains a clearing account that gets closed out to the Mental Health fund. The clearing account had revenues that were not cleared out at June 30, 2007.

Recommendations – Close the revenues in the clearing account to the Mental Health fund to correct the cash balances.

(continued)

# HENRY COUNTY, IOWA

## Schedule of Findings (Continued) Year Ended June 30, 2007

### **Part II: Findings Related to the Financial Statements (Continued):**

Response – We made an adjusting journal entry to correct the balance in the account.

Conclusion – Response accepted.

- II-D-07 County Care Facility – The County Care Facility maintains a cash account for resident activities. The account was short \$199.25 when counted. Also, the activity bank account has an authorized check signer that is not a current County employee.

The Care Facility also maintains individual cash and checking accounts for certain residents. As of June 30, 2007, a resident bank account was not reconciled to verify the accuracy of the activity in the account.

Recommendations – The Care Facility should verify the accuracy of the activity cash account on a regular basis. The bank accounts held by the County should only have authorized check signers that are current County employees. Also, the bank accounts should be reconciled monthly to verify the accuracy of the resident activity.

Response – We will verify the activity cash on a regular basis and allow only current County employees to be authorized check signers. Also, we will reconcile all bank accounts monthly.

Conclusion – Response accepted.

- II-E-07 Accuracy of Records – We noted that the annual financial report did not reflect certified budget amounts.

Recommendations – The report should be reviewed for accuracy and verified that the amounts reflected are correct accounting data.

Response – We will review the reports and verify that they include proper accounting information.

Conclusion – Response accepted.

### **INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

(continued)

# HENRY COUNTY, IOWA

## Schedule of Findings (Continued) Year Ended June 30, 2007

### **Part III: Other Findings Related to Required Statutory Reporting:**

III-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted. Disbursements in certain departments exceeded the amounts appropriated before being amended.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

III-B-07 Questionable Expenditures – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

III-D-07 Business Transactions – Business transactions between the County and County officials, employees, or immediate family members of officials or employees were as follows:

<u>Name and Business Connection</u>	<u>Transactions Descriptions</u>	<u>Amount</u>
Jim Ruschill (Grandfather of Employee)	Services	\$ 132
Larry Savely (Father of Employee)	Services	2,506
Florence Smith (Wife of Employee)	Janitorial	2,612
Rick Smith (Employee)	Services	3,580
Norma Meyer (Mother of Employee)	Services	676
Sonja Barber (Mother of Employee)	Services	373
Nicole Bentler (Daughter of Employee)	Services	155

In accordance with Chapter 331.342 of the Code of Iowa, all of the transactions except with Florence Smith, Larry Savely, and Rick Smith do not appear to represent a conflict of interest since totals were less than \$1,500 during the fiscal year. Transactions with Florence Smith, Larry Savely, and Rick Smith may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

(continued)

# HENRY COUNTY, IOWA

## Schedule of Findings (Continued) Year Ended June 30, 2007

### **Part III: Other Findings Related to Required Statutory Reporting (Continued):**

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – We will take the appropriate action to dispose of this matter.

Conclusion – Response accepted.

III-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions.

III-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. Minutes state the claims are approved but are not specific on which claims were approved. Also, the minutes approved the purchase of a truck for \$17,994.40 but the actual purchase price was \$18,490.

The Board went into closed session to discuss matters relating to the County. The minutes recorded did not document the vote of each member on the question of holding the closed sessions as required by Chapter 21.5(2) of the Code of Iowa. Also, certain Board minutes were not signed by the Board of Supervisors.

Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa. Minutes should be specific to which claims are being approved as well as specific to actual cost of expense. Also, all Board minutes need to be signed by the Board of Supervisors to indicate approval.

Response – This was an oversight. We usually record the vote as required and will do so in the future. We will also make sure all Board minutes will be signed by the Board of Supervisors, specific to all claims being approved and be accurate in the amount of the expense being approved.

Conclusion – Response accepted.

III-G-07 Deposits and Investments – We noted no instances of non-compliance with deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy.

III-H-07 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

(continued)

# HENRY COUNTY, IOWA

## Schedule of Findings (Continued) Year Ended June 30, 2007

### **Part III: Other Findings Related to Required Statutory Reporting (Continued):**

- III-I-07 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

- III-J-07 Code of Ordinances – The County does not have a Code of Ordinances compiled every five years.

Recommendation – The Code of Ordinances containing all of the County ordinances in effect should be compiled and published as required by Chapter 331.302(9) of the Code of Iowa.

Response – We are in the process of redoing our zoning ordinance and subdivision ordinance. When this is completed, we will comply with Chapter 331.302(9) of the Code of Iowa.

Conclusion – Response accepted.



HENRY COUNTY, IOWA  
Audit Staff

This audit was performed by:

TD&T FINANCIAL GROUP, P.C.  
Certified Public Accountants  
Mt. Pleasant, Iowa

Personnel:

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